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FISCAL IMPACT STATEMENT

LS 6360

BILL NUMBER: SB 220

NOTE PREPARED: Jan 23, 2014

BILL AMENDED: Jan 23, 2014

SUBJECT: Unclaimed Life Insurance Benefits.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill requires an insurer, at least once every six months, to perform a comparison of in-force life insurance policies, annuities, and retained asset accounts issued, entered into, or established by the insurer in Indiana after June 30, 2015, against a death master file to identify insureds, annuitants, and account owners who have died. It provides that if an insurer learns of the possible death of an insured, annuitant, or account owner through this comparison, the insurer is required within 90 days to confirm the person's death and determine the benefits due under the policy, annuity, or retained asset account. It provides that if the beneficiary, policy owner, annuity owner, or account owner to whom the benefits are due cannot be found, the benefits escheat to the state under the unclaimed property law.

The bill makes an insurer's noncompliance with the requirements an unfair or deceptive act or practice for which the Insurance Commissioner may impose a civil penalty or suspend or revoke the insurer's certificate of authority.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Department of Insurance:* The bill creates a new unfair and deceptive act relating to an insurance company's failure of compliance in verification and remittance of unclaimed life insurance benefits. These unfair and deceptive acts would be actionable by the Department of Insurance (DOI). To the extent that insurance providers are found to have engaged in unfair and deceptive acts, this bill could increase workload of the DOI to investigate and determine if an unfair or deceptive act has been committed. The bill would result in other additional administrative responsibilities for the DOI. The increase in the workload and its impact on DOI's budget is indeterminable.

The DOI is funded by audit fees, filing fees, and other amounts remitted by the insurance companies into the Department of Insurance Fund. Annually, \$6.0 M is appropriated from the fund to the DOI in the current biennium.

Explanation of State Revenues: (Revised) *Abandoned Property Fund:* The bill could expedite revenue deposited in the Abandoned Property Fund and then transferred to the state General Fund starting in FY 2017.

Under current law, a life insurance policy or an annuity contract is considered abandoned three years after: (1) the obligation to pay arises, if the policy or contract has matured or terminated; or (2) the insured has attained, or would have attained if living, the limiting age under the mortality table on which the reserve is based, if the policy or contract is payable upon proof of death. This bill allows the insurers to remit the proceeds from an abandoned:

- (1) life insurance policy issued in Indiana after June 30, 2015,
- (2) annuity contract issued or entered into in Indiana after June 30, 2015, or
- (3) retained asset account established after June 30, 2015, by an insurer conducting business in Indiana, within one year after the insurer has obtained the knowledge of death and taken certain steps to locate the beneficiary. This could expedite the deposit of such proceeds in the Abandoned Property Fund, which would then be transferred into the state General Fund.

Unfair and Deceptive Act: If this bill increases the number of unfair and deceptive acts discovered by the DOI, revenue to the General Fund will increase from civil penalties paid by violators. The penalty for engaging in an unfair and deceptive act is one or more of the following: (1) a civil penalty between \$25,000 and \$50,000 for each act or violation and (2) revocation of a person's license or certificate of authority if they knowingly engaged in an unfair or deceptive act. Actual increases in revenues are indeterminable.

(Revised) *Additional Information:* Starting July 1, 2015, the bill sets up requirements for life insurance companies as it relates to certain unclaimed life insurance benefits. It requires the insurer to conduct a comparison between the policy owners and federal Social Security Administration's "Death Master File" or similar document. It provides guidelines for conducting the comparison. Upon establishing the knowledge of death of a policy holder, who has a benefit due under the policy, the insurer is required to take steps to pay the benefit of a policy, annuity, or retained assets account to the designated beneficiaries. If beneficiaries cannot be found, insurers remit the unclaimed proceeds to the state as required in current law. The bill provides that the insurer may remit such unclaimed proceeds within one year of obtaining the knowledge of death instead of waiting for three years required under current law.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance; Attorney General.

Local Agencies Affected:

Information Sources:

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